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April 8, 1997

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Chief Administrative Law Judge
STEVEN DOTTHEIM
Acting General Counsel

Honorable Reed Hundt, Chairman
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Dear Chairman Hundt:

Enclosed for your review is a document entitled "Comments on Recovery Mechanism for Universal Service Contributions by the State Members of the Federal-State Joint Board on Universal Service." In these comments the State Members suggest that the benefits of making the carriers' contribution toward a Universal Service Fund explicit upon the consumer's bill could also be achieved by simply noting the portion of the bill that is being contributed by the carrier without necessarily increasing the bill through a surcharge.

A copy of these comments will be formally filed today in CC Docket No. 96-45.

Respectfully,



Kenneth McClure, Chair
State Members of the Federal-State
Joint Board on Universal Service

KM:PEP:jn
Enclosure

cc: Honorable Sharon L. Nelson
Honorable Laska Schoenfelder
Honorable Julia Johnson
Honorable Martha S. Hogerty

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Before the
Federal Communications Commission
Washington, D.C. 20554

APR 8 1997

Federal Communications Commission
Office of Secretary

In the Matter of

Federal-State Joint Board on
Universal Service

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CC Docket No. 96-45

**COMMENTS ON RECOVERY MECHANISM FOR UNIVERSAL SERVICE
CONTRIBUTIONS BY THE STATE MEMBERS OF THE
FEDERAL - STATE JOINT BOARD ON UNIVERSAL SERVICE**

**Kenneth McClure, Missouri Public Service Commission
Julia Johnson, Florida Public Service Commission
Sharon L. Nelson, Washington Utilities and Transportation Commission
Laska Schoenfelder, South Dakota Public Utilities Commission
Martha S. Hogerty, Public Counsel for the State of Missouri**

April 8, 1997

Comments on Recovery Mechanism for Universal Service Contributions by the State Members of the Federal-State Joint Board on Universal Service

Section 254 of the Telecommunications Act of 1996 (1996 Act) states that the availability of a basic set of quality services at just, reasonable and affordable rates is a national policy goal. The 1996 Act further states that carriers providing interstate telecommunications services shall contribute to the federal universal service program. In the Recommended Decision in this proceeding, the Joint Board discussed how the federal universal service support mechanism should be funded.¹ However, many parties have submitted additional comments to the Federal Communications Commission (FCC) asking the FCC to establish an end-user surcharge as the mechanism for funding the federal universal service program. Given the continued discussion of this issue in the comments, the State Members consider that it may be appropriate to set forth their views in more detail on this point.

This proceeding has appropriately concentrated upon making certain that universal service meets the requirement of the 1996 Act that are noted above. However, many contribution recovery proposals made by carriers in this docket may have the effect of raising rates which we are seeking to keep affordable. In the Recommended Decision in this proceeding, the Joint Board discussed affordability concerns as follows:

In light of our conclusions regarding the importance of the particular factors other than rates identified in the preceding paragraphs, we recommend that the states exercise primary responsibility, consistent with the standard enumerated above, for determining the affordability of rates. As many commenters note, the characteristics of each jurisdiction are unique, and the states possess both the knowledge and expertise to understand and evaluate these factors and to determine ultimately how they affect rate affordability.²

Given the Joint Board's Recommended Decision on determinations of affordability, a state commission should have the discretion to determine if the imposition of an end user surcharge would render local rates unaffordable. Furthermore, the State members suggest that it would be premature and inappropriate to prejudge how carriers in the telecommunications market would choose to meet their responsibilities under Section 254 during the transition to competitive markets.

¹ Joint Board Recommended Decision at ¶ 812.

² Joint Board Recommended Decision at ¶ 131.

State Members also recognize that some carriers have advocated a surcharge in order to make their contribution explicit upon the consumer's bill. State Members suggest that the benefits of making the carriers' contribution toward a Universal Service Fund explicit upon the consumer's bill could also be achieved by simply noting the portion of the bill that is being contributed by the carrier without necessarily increasing the bill through a surcharge.